



**SCIOTO VALLEY LOCAL SCHOOL DISTRICT  
ROSS COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
Columbus, Ohio 43215  
Telephone 614-466-3402  
800-443-9275  
Facsimile 614-728-7199  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education  
Scioto Valley Local School District  
Ross County  
757 Jackson Street  
Richmond Dale, Ohio 45673-0108

We have audited the accompanying general-purpose financial statements of the Scioto Valley Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Scioto Valley Local School District, Ross County, Ohio as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 3 to the general purpose financial statements, the District adopted Governmental Accounting Standards Board Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**JIM PETRO**  
Auditor of State

March 1, 2000

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**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999**

	<i>GOVERNMENTAL FUND TYPES</i>				<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		<i>Totals (Memorandum Only)</i>
	<i>General</i>	<i>Special Revenue</i>	<i>Debt Service</i>	<i>Capital Projects</i>	<i>Internal Service</i>	<i>Agency</i>	<i>General Fixed Assets</i>	<i>General Long-Term Obligations</i>	
<b><i>Assets and Other Debits:</i></b>									
<b><i>Assets:</i></b>									
Equity in Pooled Cash and Cash Equivalents	\$921,557	\$146,248	\$0	\$167,380	\$56,330	\$25,175	\$0	\$0	\$1,316,690
Cash and Cash Equivalents with Fiscal Agents	0	0	0	0	16,065	0	0	0	16,065
Receivables:									
Taxes	1,176,704	0	25,115	0	0	0	0	0	1,201,819
Accounts	23	335	0	0	0	0	0	0	358
Intergovernmental	7,522	39,434	0	0	0	0	0	0	46,956
Interfund	40,643	0	0	0	0	0	0	0	40,643
Prepaid Premiums	0	0	0	0	86,244	0	0	0	86,244
Prepaid Items	10,070	0	0	0	0	0	0	0	10,070
Materials and Supplies Inventory	25,832	8,053	0	0	0	0	0	0	33,885
Restricted Assets:									
Equity in Pooled Cash and Cash Equivalents	201,438	0	0	0	0	0	0	0	201,438
Fixed Assets	0	0	0	0	0	0	4,637,165	0	4,637,165
<b><i>Other Debits:</i></b>									
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	642,867	642,867
<b><i>Total Assets and Other Debits</i></b>	<b>\$2,383,789</b>	<b>\$194,070</b>	<b>\$25,115</b>	<b>\$167,380</b>	<b>\$158,639</b>	<b>\$25,175</b>	<b>\$4,637,165</b>	<b>\$642,867</b>	<b>\$8,234,200</b>

**(continued)**



**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999**

	<u>GOVERNMENTAL FUND TYPES</u>				<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUPS</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<b>Liabilities, Fund Equity and Other Credits:</b>									
<b>Liabilities:</b>									
Accounts Payable	\$41,922	\$6,098	\$0	\$0	\$0	\$0	\$0	\$0	\$48,020
Contracts Payable	0	0	0	65,516	0	0	0	0	65,516
Accrued Wages and Benefits	387,578	105,230	0	0	0	0	0	0	492,808
Compensated Absences Payable	24,737	0	0	0	0	0	0	392,757	417,494
Retainage Payable	0	0	0	8,896	0	0	0	0	8,896
Interfund Payable	0	40,643	0	0	0	0	0	0	40,643
Intergovernmental Payable	86,258	12,122	0	0	0	0	0	54,271	152,651
Deferred Revenue	1,114,887	0	25,115	0	0	0	0	0	1,140,002
Undistributed Monies	0	0	0	0	0	25,175	0	0	25,175
Claims Payable	0	0	0	0	138,601	0	0	0	138,601
Capital Leases Payable	0	0	0	0	0	0	0	40,839	40,839
Energy Conservation Loan Payable	0	0	0	0	0	0	0	155,000	155,000
<b>Total Liabilities</b>	<b>1,655,382</b>	<b>164,093</b>	<b>25,115</b>	<b>74,412</b>	<b>138,601</b>	<b>25,175</b>	<b>0</b>	<b>642,867</b>	<b>2,725,645</b>
<b>Fund Equity and Other Credits:</b>									
Investment in General Fixed Assets	0	0	0	0	0	0	4,637,165	0	4,637,165
Retained Earnings:									
Unreserved	0	0	0	0	20,038	0	0	0	20,038
Fund Balance:									
Reserved for Encumbrances	234,968	12,861	0	48,663	0	0	0	0	296,492
Reserved for Inventory	25,832	8,053	0	0	0	0	0	0	33,885
Reserved for Property Taxes	61,817	0	0	0	0	0	0	0	61,817
Reserved for Budget Stabilization	61,403	0	0	0	0	0	0	0	61,403
Reserved for Textbooks	51,895	0	0	0	0	0	0	0	51,895
Reserved for Capital Improvements	54,578	0	0	0	0	0	0	0	54,578
Reserved for School Buses Purchases	33,562	0	0	0	0	0	0	0	33,562
Unreserved:									
Undesignated	204,352	9,063	0	44,305	0	0	0	0	257,720
<b>Total Fund Equity and Other Credits</b>	<b>728,407</b>	<b>29,977</b>	<b>0</b>	<b>92,968</b>	<b>20,038</b>	<b>0</b>	<b>4,637,165</b>	<b>0</b>	<b>5,508,555</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$2,383,789</b>	<b>\$194,070</b>	<b>\$25,115</b>	<b>\$167,380</b>	<b>\$158,639</b>	<b>\$25,175</b>	<b>\$4,637,165</b>	<b>\$642,867</b>	<b>\$8,234,200</b>

See accompanying notes to the general purpose financial statements

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b><u>Revenues:</u></b>					
Property Taxes	\$1,129,390	\$0	\$30,890	\$0	\$1,160,280
Intergovernmental	4,303,768	762,593	0	254,707	5,321,068
Interest	46,553	768	0	0	47,321
Tuition and Fees	28,516	16,002	0	0	44,518
Rent	40,970	0	0	0	40,970
Extracurricular Activities	0	127,544	0	0	127,544
Gifts and Donations	0	667	0	0	667
Charges for Services	0	169,110	0	0	169,110
Miscellaneous	422	116	0	0	538
<b>Total Revenues</b>	<b>5,549,619</b>	<b>1,076,800</b>	<b>30,890</b>	<b>254,707</b>	<b>6,912,016</b>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	1,845,962	443,961	0	0	2,289,923
Special	340,903	291,889	0	0	632,792
Vocational	52,683	0	0	0	52,683
Support Services:					
Pupils	135,856	1,496	0	20,703	158,055
Instructional Staff	212,117	22,446	0	207	234,770
Board of Education	214,051	0	0	0	214,051
Administration	510,062	6,165	0	0	516,227
Fiscal	190,619	1,014	0	0	191,633
Operation and Maintenance of Plant	515,694	0	0	6,404	522,098
Pupil Transportation	512,292	0	0	0	512,292
Operation of Non-Instructional					
Services	23,042	302,922	0	0	325,964
Extracurricular Activities	100,016	57,471	0	0	157,487
Capital Outlay	0	0	0	210,477	210,477
Debt Service:					
Principal Retirement	24,097	0	20,000	0	44,097
Interest and Fiscal Charges	4,325	0	10,890	0	15,215
<b>Total Expenditures</b>	<b>4,681,719</b>	<b>1,127,364</b>	<b>30,890</b>	<b>237,791</b>	<b>6,077,764</b>
Excess of Revenues Over (Under) Expenditures	867,900	(50,564)	0	16,916	834,252
<b><u>Other Financing Sources (Uses):</u></b>					
Operating Transfers In	167,876	116,546	0	0	284,422
Operating Transfers Out	(271,886)	(94,502)	0	0	(366,388)
<b>Total Other Financing Sources (Uses)</b>	<b>(104,010)</b>	<b>22,044</b>	<b>0</b>	<b>0</b>	<b>(81,966)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	763,890	(28,520)	0	16,916	752,286
Fund Balances (Deficit) at Beginning of Year	(10,696)	58,135	0	76,052	123,491
Increase (Decrease) in Reserve for Inventory	(24,787)	362	0	0	(24,425)
<b>Fund Balances at End of Year</b>	<b>\$728,407</b>	<b>\$29,977</b>	<b>\$0</b>	<b>\$92,968</b>	<b>\$851,352</b>

See accompanying notes to the general purpose financial statements

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$1,132,280	\$1,132,280	\$0	\$0	\$0	\$0
Intergovernmental	4,304,718	4,304,718	0	752,339	752,339	0
Interest	46,629	46,629	0	768	768	0
Tuition and Fees	24,229	24,229	0	16,451	16,451	0
Rent	40,970	40,970	0	0	0	0
Extracurricular Activities	0	0	0	130,119	130,119	0
Gifts and Donations	0	0	0	667	667	0
Miscellaneous	199	199	0	5	5	0
<i>Total Revenues</i>	5,549,025	5,549,025	0	900,349	900,349	0
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	1,932,516	1,932,516	0	426,514	426,514	0
Special	332,818	332,818	0	295,339	295,339	0
Vocational	51,980	51,980	0	0	0	0
Support Services:						
Pupils	138,391	138,391	0	1,553	1,553	0
Instructional Staff	209,603	209,603	0	20,119	20,119	0
Board of Education	243,884	243,884	0	0	0	0
Administration	517,846	517,846	0	6,224	6,224	0
Fiscal	193,286	193,286	0	1,014	1,014	0
Operation and Maintenance of Plant	639,638	639,638	0	0	0	0
Pupil Transportation	549,948	549,948	0	0	0	0
Operation of Non-Instructional Services						
Extracurricular Activities	100,136	100,136	0	61,234	61,234	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<i>Total Expenditures</i>	4,910,046	4,910,046	0	1,120,723	1,120,723	0
Excess of Revenues Over (Under) Expenditures	638,979	638,979	0	(220,374)	(220,374)	0
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	223	223	0	55	55	0
Advances In	0	0	0	17,761	17,761	0
Advances Out	(17,761)	(17,761)	0	0	0	0
Operating Transfers In	167,876	167,876	0	130,938	130,938	0
Operating Transfers Out	(271,886)	(271,886)	0	(108,894)	(108,894)	0
Refund of Prior Year Receipts	(23,132)	(23,132)	0	0	0	0
Other Financing Sources	0	0	0	158,808	158,808	0
<i>Total Other Financing Sources (Uses)</i>	(144,680)	(144,680)	0	198,668	198,668	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	494,299	494,299	0	(21,706)	(21,706)	0
Fund Balances at Beginning of Year	195,245	195,245	0	45,651	45,651	0
Prior Year Encumbrances Appropriated	182,519	182,519	0	82,377	82,377	0
Fund Balances at End of Year	\$872,063	\$872,063	\$0	\$106,322	\$106,322	\$0

See accompanying notes to the general purpose financial statements

DEBT SERVICE FUND			CAPITAL PROJECTS FUND			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$30,890	\$30,890	\$0	\$0	\$0	\$0	\$1,163,170	\$1,163,170	0
0	0	0	254,707	254,707	0	5,311,764	5,311,764	0
0	0	0	0	0	0	47,397	47,397	0
0	0	0	0	0	0	40,680	40,680	0
0	0	0	0	0	0	40,970	40,970	0
0	0	0	0	0	0	130,119	130,119	0
0	0	0	0	0	0	667	667	0
0	0	0	0	0	0	204	204	0
30,890	30,890	0	254,707	254,707	0	6,734,971	6,734,971	0
0	0	0	0	0	0	2,359,030	2,359,030	0
0	0	0	0	0	0	628,157	628,157	0
0	0	0	0	0	0	51,980	51,980	0
0	0	0	21,343	21,343	0	161,287	161,287	0
0	0	0	207	207	0	229,929	229,929	0
0	0	0	0	0	0	243,884	243,884	0
0	0	0	0	0	0	524,070	524,070	0
0	0	0	0	0	0	194,300	194,300	0
0	0	0	0	0	0	646,352	646,352	0
0	0	0	0	0	0	549,948	549,948	0
0	0	0	6,714	6,714	0	308,726	308,726	0
0	0	0	0	0	0	161,370	161,370	0
0	0	0	249,293	249,293	0	249,293	249,293	0
20,000	20,000	0	0	0	0	20,000	20,000	0
10,890	10,890	0	0	0	0	10,890	10,890	0
30,890	30,890	0	277,557	277,557	0	6,339,216	6,339,216	0
0	0	0	(22,850)	(22,850)	0	395,755	395,755	0
0	0	0	0	0	0	278	278	0
0	0	0	0	0	0	17,761	17,761	0
0	0	0	0	0	0	(17,761)	(17,761)	0
0	0	0	0	0	0	298,814	298,814	0
0	0	0	0	0	0	(380,780)	(380,780)	0
0	0	0	0	0	0	(23,132)	(23,132)	0
0	0	0	0	0	0	158,808	158,808	0
0	0	0	0	0	0	53,988	53,988	0
0	0	0	(22,850)	(22,850)	0	449,743	449,743	0
0	0	0	73,749	73,749	0	314,645	314,645	0
0	0	0	2,302	2,302	0	267,198	267,198	0
\$0	\$0	\$0	\$53,201	\$53,201	\$0	\$1,031,586	\$1,031,586	\$0

**STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN RETAINED EARNINGS  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u><b>Self-Insurance</b></u>
<u><b>Operating Revenues:</b></u>	
Charges for Services	\$433,204
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<u><b>Operating Expenses:</b></u>	
Purchased Services	2,774
Claims	698,981
<hr style="border-top: 1px dashed black;"/>	
<i>Total Operating Expenses</i>	701,755
<hr style="border-top: 1px dashed black;"/>	
Operating Loss	(268,551)
<hr style="border-top: 1px dashed black;"/>	
<u><b>Non-Operating Revenues:</b></u>	
Interest	501
<hr style="border-top: 1px dashed black;"/>	
Loss Before Operating Transfers	(268,050)
<hr style="border-top: 1px dashed black;"/>	
Transfers In	81,966
<hr style="border-top: 1px dashed black;"/>	
Net Loss	(186,084)
Retained Earnings at Beginning of Year - Restated (Note 3)	206,122
<hr style="border-top: 1px dashed black;"/>	
Retained Earnings at End of Year	\$20,038
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See accompanying notes to the general purpose financial statements

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>SELF-INSURANCE</i>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><i>Revenues:</i></b>			
Charges for Services	\$31,504	\$31,504	\$0
<b><i>Expenses:</i></b>			
Purchased Services	123,720	123,720	0
Excess of Revenues Under Expenses	(92,216)	(92,216)	0
Transfers-In	81,966	81,966	0
Excess of Revenues Under Expenses and Transfers	(10,250)	(10,250)	0
Fund Equity at Beginning of Year	47,519	47,519	0
Prior Year Encumbrances Appropriated	2,416	2,416	0
Fund Equity at End of Year	\$39,685	\$39,685	\$0

See accompanying notes to the general purpose financial statements

**STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Quasi-External Transactions with Other Funds	\$433,204
Cash Payments to Suppliers for Goods and Services	(2,774)
Cash Payments for Claims	(582,472)
	-----
Net Cash Used for Operating Activities	(152,042)
 <b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Short Term Loans to Other Governments	(86,244)
Transfers In	81,966
	-----
<b><u>Cash Flows from Investing Activities:</u></b>	
Interest	501
	-----
Net Decrease in Cash and Cash Equivalents	(155,819)
Cash and Cash Equivalents at Beginning of Year	228,214
	-----
Cash and Cash Equivalents at End of Year	\$72,395
	=====
 <b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Operating Loss	(\$268,551)
 <b><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Changes in Assets and Liabilities:	
Increase in Claims Payable	116,509
	-----
Net Cash Used for Operating Activities	(\$152,042)
	=====

See accompanying notes to the general purpose financial statements



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Scioto Valley Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1938 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 140 square miles. It is located in Ross County, and includes the Villages of Londonderry, Higby, Harrison and Richmond Dale, and portions of Liberty, Jefferson, Harrison, Springfield, Franklin and Scioto Townships. It is staffed by 35 non-certificated employees, 71 certificated full-time teaching personnel and 4 administrative employees who provide services to 1003 students and other community members. The School District currently operates 5 instructional buildings and 1 bus garage.

**Reporting Entity:**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Scioto Valley Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Parent Teacher Organization
- Ross County Educational Service Center

The School District is associated with five organizations, three of which are defined as jointly governed organizations, one as a claims servicing pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, Pickaway-Ross County Joint Vocational School, Great Seal Education Network of Tomorrow, Ross County School Employees Insurance Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Scioto Valley Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The following are the School District's governmental fund types:

**General Fund**

The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting (Continued)**

**Debt Service Fund**

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

**Capital Projects Funds**

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**Proprietary Fund Type:**

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**Internal Service Fund**

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

**Fiduciary Fund Type:**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary fund.

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary fund.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**Tax Budget:**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Ross County Budget Commission for rate determination.

**Estimated Resources:**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. Before year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

**Appropriations:**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Budgetary Process (Continued)**

County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, four supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds and a portion of the self-insurance internal service fund, consistent with statutory provisions. Prior to year-end, the School District passed a supplemental appropriation that reflected actual expenditures and encumbrances for the fiscal year.

**Encumbrances:**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the proprietary fund.

**Lapsing of Appropriations:**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Cash and Cash Equivalents (Continued)**

The School District participates in a claims servicing pool that pays employee health insurance claims on the School District's behalf. The balance of the School District's funds held by the fiscal agent at June 30, 1999 is presented as "Cash and Cash Equivalents with Fiscal Agents" on the balance sheet.

During fiscal year 1999, the School District's investments were limited to STAR Ohio and Certificates of Deposit. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Assets Reserve of Ohio (STAROhio) during fiscal year 1999. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$46,553 which includes \$7,592 assigned from other School District funds. The Special Revenue funds and Internal Service fund, also received interest revenue of \$768, and \$501, respectively.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Inventory**

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food and purchased food held for resale. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Assets in the general fixed assets account group are not depreciated.

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

The School District currently participates in several State and Federal programs, categorized as follows:

***Entitlements***

***General Fund***

- State Foundation Program
- State Property Tax Relief
- School Bus Program
- Equity Distribution

***Non-Reimbursable Grants***

***Special Revenue Funds***

- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Teacher Development Block Grant
- Textbook Subsidy
- Title I
- Title VI
- Title VI-B
- Professional Development Block Grant
- Career Enhancement - Peer Assistance and Review Grant
- Dwight D. Eisenhower Grant
- Drug Free Schools Grant



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Intergovernmental Revenues (Continued)**

***Capital Projects Funds***

School Net  
School Net Plus  
Technology Equity  
Ohio School Facilities Emergency School Building Repairs

***Reimbursable Grants***

***General Fund***

Driver Education

***Special Revenue Funds***

National School Lunch Program  
National School Breakfast Program  
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 77 percent of governmental fund revenue during the 1999 fiscal year.

**I. Interfund Assets/Liabilities**

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources.

Payments made more than sixty days after year-end are considered not to have used current available financial resources. Long term loans and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term obligations financed by the proprietary fund are reported as liabilities in the proprietary fund.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**N. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, budget stabilization, textbooks purchases, capital improvements, and school bus purchases.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Fund Balance Reserves (Continued)**

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set aside by statute to protect against cyclical changes in revenues and expenditures.

**O. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**P. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD RESTATEMENT**

*GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans"* provides accounting for deferred compensation plans. The School District participates in the Ohio Public Employees Deferred Compensation Program. During 1998, the Ohio Public Employees Deferred Compensation Program created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, plan assets are no longer presented on the balance sheet.

For 1999 the prior year ending balance for the Self-Insurance Internal Service Fund was found to be misstated. This adjustment resulted in the following restatement of beginning Fund Equity balances:

	<u>Amount at 6/30/98</u>	<u>Restated Amount</u>
Internal Service Fund	\$213,386	\$206,122

**4. ACCOUNTABILITY**

At June 30, 1999, the Disadvantaged Pupil Impact Aid, Title VI-B and Chapter I Special Revenue Funds have deficit fund balances of \$38,375, \$30,437 and \$44,029, respectively. The deficits in these funds are due to revenues being insufficient to cover expenditures, along with the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Internal Service Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Capital Projects
GAAP Basis	\$763,890	(\$28,520)	\$16,916
Revenue Accruals	(371)	(17,588)	0
Expenditure Accruals	22,304	23,685	74,413
Advances	(17,761)	17,761	0
Encumbrances	(273,763)	(17,044)	(114,179)
Budget Basis	<u>\$494,299</u>	<u>(\$21,706)</u>	<u>(\$22,850)</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

Net Income/Excess of Revenues Under  
Expenses and Transfers  
Internal Service Fund

	<u>Self-Insurance</u>
GAAP Basis	(\$186,084)
Expense Accruals	116,509
Non-Budgeted Activity	75,970
Encumbrances	(16,645)
Budget Basis	<u>(\$10,250)</u>

**6. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in *GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."*

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$587,636 and the bank balance was \$859,987. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

2. \$759,987 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

**Investments:** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Fair Value</u>
STAR Ohio	\$946,557

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."*

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$1,534,193	\$0
Investments:		
STAR Ohio	(946,557)	946,557
GASB Statement No. 3	\$587,636	\$946,557

**7. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**7. PROPERTY TAXES (Continued)**

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$37,259,190	71.96%	\$43,293,000	74.86%
Public Utility	7,249,990	14.00%	8,239,190	14.25%
Tangible Personal Property	7,268,180	14.04%	6,301,230	10.89%
<b>Total Assessed Value</b>	<b>\$51,777,360</b>	<b>100.00%</b>	<b>\$57,833,420</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$28.30		\$28.30	

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$61,817 in the General Fund.



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**8. RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes, accounts (billings for user charged services, and student fees), interfund and intergovernmental reimbursements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, and the stable condition of State programs.

A summary of the principal items of the intergovernmental receivables follows:

	Amounts
General Fund	
Reimbursement for Handicap Students	\$7,522
Special Revenue Funds	
Food Service	24,017
E-Rate Funding	15,417
Total Special Revenue Funds	39,434
Total Intergovernmental Receivables	\$46,956

**9. FIXED ASSETS**

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land, Buildings				
Improvements	\$2,333,609	\$1,826	\$0	\$2,335,435
Furniture, Fixtures and Equipment	1,333,553	28,081	0	1,361,634
Vehicles	650,426	56,530	0	706,956
Construction in Progress	0	233,140	0	233,140
Totals	\$4,317,588	\$319,577	\$0	\$4,637,165

**10. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance and inland marine coverage. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$500 deductible)	\$11,205,600
Inland Marine Coverage (\$500 deductible)	28,000
Boiler and Machinery (\$1,000 deductible)	5,535,100
Crime Insurance	10,000
Automobile Liability (\$100 deductible)	
Bodily Injury - Each person	100,000
Bodily Injury - Each accident	300,000
Property Damage - Each accident	50,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**10 RISK MANAGEMENT (Continued)**

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from last year. For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of a claims servicing pool, consisting of fourteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$138,601 reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues"*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	\$40,509	\$399,687	\$418,104	\$22,092
1999	22,092	698,981	582,472	138,601

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal year.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

**A. School Employees Retirement System (Continued)**

years ended June 30, 1999, 1998, and 1997 were \$59,287, \$98,755, and \$93,603, respectively; 39.38 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$35,940 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$124,978, \$252,663, and \$333,694, respectively; 79.38 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$25,774 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**12. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$166,637 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$59,215.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**14. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit of sick leave accumulation for all personnel. Upon retirement, payment is made for one-fourth of up to 120 of their accrued, but unused sick leave credit for all employees. Certified employees receive additional amounts based on length of service as follows:

<u>Length of service</u>	<u>Additional Compensation</u>
10 years	\$10 per day over 120
11 - 20 years	\$20 per day over 120
21 years and over	\$30 per day over 120

**B. Insurance Benefits**

The School District provides life and accidental death and dismemberment insurance to most employees through Safeco.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**13. EMPLOYEE BENEFITS (Continued)**

**C. Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

For fiscal year 1999, the School District implemented *GASB Statement No. 32, "Deferred Compensation Plans"*. This statement eliminates the requirement that the School District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the School District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established a trust fund and the amounts are no longer reported on the School District's balance sheet as of June 30, 1999.

**14. CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the School District has entered into capitalized leases for equipment and furniture and fixtures. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$117,589. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$24,097 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	GLTDAG
2000	\$28,422
2001	<u>15,106</u>
Total	43,528
Less: Amount Representing Interest	<u>(2,689)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$40,839</u></u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**15. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Energy Conservation				
Loan 1995 6.6%	\$175,000	\$0	\$20,000	\$155,000
Capital Lease Payable	64,936	0	24,097	40,839
Pension Obligation	57,647	54,271	57,647	54,271
Compensated Absences	349,103	43,654	0	392,757
<b>Total General Long-Term Obligations</b>	<b>\$646,686</b>	<b>\$97,925</b>	<b>\$101,744</b>	<b>\$642,867</b>

Energy Conservation Loan - On January 1, 1996, Scioto Valley Local School District issued \$233,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2005. The loan will be retired from the debt service fund.

Capital leases will be paid from the General Fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$5,205,008 with an unvoted debt margin of \$57,833 at June 30, 1999.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$20,000	\$9,570	\$29,570
2001	25,000	8,085	33,085
2002	25,000	6,435	31,435
2003	25,000	4,785	29,785
2004	30,000	2,970	32,970
2005	30,000	990	30,990
<b>Total</b>	<b>\$155,000</b>	<b>\$32,835</b>	<b>\$187,835</b>

**16. CONTRACTUAL COMMITMENTS**

As of June 30, 1999, the School District had contractual purchase commitments for the completion of construction of a bus garage as follows:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/99
Portland Electric	\$147,727	\$104,530	\$43,197
Geiger Brothers	83,100	9,000	74,100
<b>Total</b>	<b>\$230,827</b>	<b>\$113,530</b>	<b>\$117,297</b>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**17. INTERFUND ACTIVITY**

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Receivables Interfund	Payables Interfund
General Fund	\$40,643	\$0
Special Revenue Funds:		
Title VI-B	0	22,882
Title I	0	17,761
Total Special Revenue Funds	0	40,643
Total All Funds	\$40,643	\$40,643

**18. SCHOOL FUNDING COURT DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$3,234,389 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

**19. JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The School District paid SCOCA \$4,891 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

*Pickaway-Ross County Joint Vocational School* - The Pickaway-Ross County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. To obtain financial

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**19. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

information write to the Pickaway-Ross County Joint Vocational School, Ben VanHorn who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

*Great Seal Education Network of Tomorrow* - The Great Seal Education Network of Tomorrow is a regional council of governments (the "Council") consisting of twelve city, local, and joint vocational school districts, two educational service centers and the Ohio University-Chillicothe Campus for the purpose of promoting the use of advanced telecommunications and technology to provide enhanced educational opportunities to the communities of Ross and Pickaway Counties. The Council is operated under the direction of a Board of Directors consisting of one representative (the superintendent or another person appointed by the board of education) of each of the members, each of which possess its own budgeting and taxing authority. To obtain financial information, write to the Ohio University-Chillicothe Campus, who acts as fiscal agent, at 571 West Fifth Street, Chillicothe, Ohio 45601.

**20. INSURANCE PURCHASING AND CLAIMS SERVICING POOLS**

*Ross County School Employees Insurance Consortium* - The School District is a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of fourteen school districts within Ross County and its surrounding area. Medical/surgical, dental, vision, or life insurance is administered through a third party administrator, Professional Risk Management Co., depending on which coverage the individual member district chooses. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the Westfall Local School District at 19463 Pherson Pike, Williamsport, Ohio 43164.

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**21. SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The School District also receives monies designated for school bus purchases. This amount is shown as a reserve for bus purchases.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, budget stabilization, and school bus purchases. Disclosure of this information is required by State statute.



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
(Continued)

**21. SET-ASIDE CALCULATIONS (Continued)**

**A. Textbooks and Instructional Materials**

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$67,030	
Qualifying expenditures made during the year	(15,135)	
Amount of offsets for the year	0	
Total		51,895
Balance of the set-aside to be carried forward to next year		\$51,895

**B. Capital Improvements**

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$67,030	
Qualifying expenditures made during the year	(12,452)	
Amount of offsets for the year	0	
Total		54,578
Balance of the set-aside to be carried forward to next year		\$54,578

**C. Budget Stabilization**

Set-aside balance carried forward from the prior year		\$27,888
Current year set-aside requirement	\$33,515	
Qualifying expenditures made during the year	0	
Amount of offsets for the year	0	
Total		33,515
Balance of the set-aside to be carried forward to next year		\$61,403

**D. School Bus Purchases**

Balance carried forward from the prior year		\$46,014
Current year amount received	\$44,078	
Qualifying expenditures made during the year	(56,530)	
Total		(12,452)
Balance to be carried forward to next year		\$33,562

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**22. CONTINGENCIES**

**1. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**B. Litigation**

The School District is not currently party to legal proceedings.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass-Through Grantor/ Program Grant Title	Federal CFDA Number	Pass-through Agency Awarding Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. Department of Agriculture</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution (See Note "B")	10.550		\$ 0	\$ 33,965	\$ 0	\$ 33,423
National School Breakfast Program	10.553	05-PU 98/99	36,077	-	36,077	-
National School Lunch Program	10.555	04-PU 98/99 03-PU 98/99	97,665	-	97,665	-
Total U.S Department of Agriculture			133,742	33,965	133,742	33,423
<b>U.S. Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
Title I	84.010	C1-S1 98/99	309,180	-	309,180	-
Eisenhower Professional	84.281	MS-S1	5,458	-	5,458	-
Drug Free Federal Subsidy	84.186	DR-S1 99	5,869	-	5,869	-
Title VI	84.298	C2-S1 99	3,967	-	0	-
Goals 2000	84.276	G2-S2 99	5,000	-	1,964	-
<i>Special Education Cluster:</i>						
Title VI B	84.027	6B-SF 98 P	42,824	-	42,824	-
Handicapped Pre-School	84.173	PG-S1 99 P	1,521	-	1,521	-
Total Special Education Cluster			44,345		44,345	
Total U.S. Department of Education			373,819	-	366,816	-
<b>Total Federal Assistance</b>			<b>\$507,561</b>	<b>\$33,965</b>	<b>\$500,558</b>	<b>\$33,423</b>

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

**NOTE C - ROSS COUNTY EDUCATIONAL SERVICE CENTER**

The Eisenhower Professional, Drug Free Federal Subsidy and Handicapped Pre-School programs are administered by the Ross County Educational Service Center.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North 4th Street  
Columbus, Ohio 43216

Telephone 614-466-3402  
800-443-9275

Facsimile 614-728-7199  
www.auditor.state.oh.us

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Board of Education  
Scioto Valley Local School District  
Ross County  
757 Jackson Street  
Richmond Dale, Ohio 45673

We have audited the financial statements of Scioto Valley Local School District, Ross County as of and for the year ended June 30, 1999, and have issued our report thereon dated March 1, 2000, wherein we noted the District changed its accounting for the deferred compensation program. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10771-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended for the information and use of the management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**JIM PETRO**  
Auditor of State

March 1, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR

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Columbus, Ohio 43216

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800-443-9275

Facsimile 614-728-7199  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Scioto Valley Local School District  
Ross County  
757 Jackson Street  
Richmond Dale, Ohio 45673

**Compliance**

We have audited the compliance of Scioto Valley Local School District, Ross County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. Scioto Valley Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Scioto Valley Local School District's management. Our responsibility is to express an opinion on Scioto Valley Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Scioto Valley Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Scioto Valley Local School District's compliance with those requirements.

In our opinion, Scioto Valley Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

**Internal Control Over Compliance**

The management of Scioto Valley Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Scioto Valley Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**JIM PETRO**  
Auditor of State

March 1, 2000



**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

**JUNE 30, 1999**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Title I, CFDA # 84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-10771-001**

**Monitoring Self-Insurance Activity**

The District is a member of the Ross County School Employees Insurance Consortium (RCSEIC) for health self-insurance purposes. The District pays premiums monthly to the RCSEIC who then pays the third party administrator (TPA) for District claims. The District receives summary reports and a listing of claims payments from the TPA that are utilized to post activity to the District's financial statements. The District receives no reports from the consortium. Appropriate monitoring controls were not in place at the District over the claims payment activity and the summary reports received from the TPA.

Lack of proper monitoring controls allowed erroneous summary reports, presented by the TPA, to be posted to the District's financial statements. (Material) adjustments have been posted to the accompanying financial statements to correct these errors.

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

**JUNE 30, 1999  
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 1999-10771-001 (Continued)**

**Monitoring Self-Insurance Activity (Continued)**

The District should obtain from the RCSEIC a summary report and reconciliation of the District's activity with the RCSEIC. The District should monitor these reports and compare them with the TPA summary reports to insure accuracy prior to posting activity to the financial statements. The District should also review listings of claims the TPA has approved to help assure the beneficiary is eligible for the benefits (i.e., is a District employee or family member).

**3. FINDINGS RELATED AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
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800-282-0370  
Facsimile 614-466-4490

**SCIOTO VALLEY LOCAL SCHOOL DISTRICT**

**ROSS COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 30, 2000**